

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 00148 121209Z

51

ACTION NEA-13

INFO OCT-01 AF-10 EUR-25 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01

NSC-10 SS-20 STR-08 CEA-02 L-03 H-03 PM-07 DODE-00

PA-04 USIA-15 PRS-01 SCI-06 INT-08 FEA-02 DRC-01 /216 W

----- 001668

R 120913Z FEB 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1290

INFO AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

USINT ALGIERS

AMEMBSSY BEIRUT

AMEMBASSY VIENNA

C O N F I D E N T I A L ABU DHABI 0148

KUWAIT PASS DOHA

BEIRUT PASS BAGHDAD

PARIS FOR OECD

EO 11652: ADS (DECON FEB 10, 1976)

TAGS: ENRG, XF, TC

SUBJ: ENRG: MINPET OTAIBA ANNOUNCES REVISED PARTICIPATION
TALKS TO BEGIN END OF FEB.

REF: ABU DHABI 0116 (NOTAL)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 00148 121209Z

SUMMARY:

UAE MINPET OTAIBA ANNOUNCED PUBLICLY THAT NEGOTIATIONS WITH OPERATING COMPANIES FOR REVISION OF PARTICIPATION AGREEMENT WILL BEGIN END OF FEB. PRIVATELY, OTAIBA HAS INFORMED US THAT UAE/AD WOULD BE WILLING ACCEPT 60 PERCENT EQUITY OWNERSHIP PRINCIPLE INCORPORATED IN GOK/KOC AGREEMENT, BUT GOVT IS DEMANDING IMPROVEMENT OF ANCILLARY TERMS. OTAIBA HOPEFUL AMERICAN OIL COMPANIES WILL SHOW GREATER INTEREST IN FUTURE DEVELOPMENT OF AD'S LARGE GAS RESERVES. MIN CONFIDED HOWEVER, THAT AD INTENDS COORDINATE ITS APPROACH TO COMPANIES FOR NEW PARTICIPATION AGREEMENT WITH SAUDI ARABIA AND QATAR. IN RELATED DEVELOPMENT, PRESS REPORTED FEB 10 THAT GOVERNMENT OF QATAR HAS BEGUN NEGOTIATIONS WITH COMPANIES.

BEGIN UNCLASSIFIED

1. IN INTERVIEW WITH GOVT DAILY "AL ITTIHAD", UAE MINPET OTAIBA ANNOUNCED FEB 5 THAT ABU DHABI WILL BEGIN TALKS BEFORE END OF FEB ON INCREASED PARTICIPATION IN MAJOR OPERATING COMPANIES, ABU DHABI PETROLEUM CO (ADPC) AND ABU DHABI MARINE AREAS (ADMA). NOTING THAT HE HAD BEEN BRIEFED BY BP NEGOTIATOR SUTCLIFFE ON TERMS OF REVISED PARTICIPATION AGREEMENT IN KUWAIT, OTAIBA SAID THAT HE HAD ASKED OIL COMPANIES TO GIVE HIM TIME TO STUDY TERMS OF THE KUWAITI AGREEMENT. HE DECLINED TO SAY WHETHER ABU DHABI WOULD ALSO DEMAND 60 PERCENT SHARE IN ITS COMPANIES STATING SIMPLY THAT GOVT'S AIM WAS TO OBTAIN QUOTE MORE CONCESSIONS UNQUOTE.

2. IN RELATED DEVELOPMENT, REUTERS NEWS BULLETIN OF FEB 10 CARRIED ITEM DATED DOHA, THAT GOVT OF QATAR BEGAN NEGOTIATIONS FOR REVISION OF PARTICIPATION AGREEMENT ON FEB 9. REPORT SAID THIS WAS FIRST OFFICIAL WORD THAT QATAR WOULD SEEK REVISION OF PARTICIPATION AGREEMENT, ALTHOUGH MOVE WAS NOT UNEXPECTED IN VIEW OF KUWAITI AGREEMENT AND EARLIER PUBLIC STATEMENTS BY SAUDI ARABIA AND ABU DHABI.
END UNCLASSIFIED

BEGIN CONFIDENTIAL

3. DURING CALL FEB 9 ON OTAIBA, CHARGE ALLUDED TO ABOVE INTERVIEW ASKING MIN'S COMMENT ON EARLIER REPORTS (REFTEL) THAT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 00148 121209Z

UAE/AD WOULD BE DEMANDING MORE THAN 60 PERCENT OWNERSHIP SHARE IN OPERATING COMPANIES. MIN CONFIRMED THAT PRELIMINARY TALKS WITH PARENT COMPANY REPS WILL TAKE PLACE AT END OF FEB. RE GOVT'S DEMANDS, OTAIBA STATED THAT ABU DHABI WOULD BE SEEKING SOMEWHAT BETTER TERMS THAN INCORPORATED IN KOC/GOK AGREEMENT. THIS DID NOT PARTICULARLY MEAN GOVT PRESSING FOR GREATER THAN 60 PERCENT EQUITY SHARE. HE REMINDED CHARGE THAT 60 PERCENT LEVEL HAD BEEN PROPOSED BY COMPANIES

DURING EARLY PHASE OF NEGOTIATIONS WITH GOK. IN OBVIOUS EFFORT TO PORTRAY HIMSELF AND UAEG IN MOST FAVORABLE LIGHT, OTAIBA SAID THAT KEY ELEMENT INVOLVED IN REVISION OF PARTICIPATION AGREEMENT WAS ACCEPTANCE BY COMPANIES OF PRINCIPLE THAT PRODUCING COUNTRIES SHOULD GAIN MAJORITY SHARE (I.E. 51 PERCENT) OF CONCESSIONS MUCH EARLIER THAN HAD BEEN PROVIDED BY ORIGINAL PARTICIPATION AGREEMENT. HOWEVER, HE ADDED THAT HAVING THEMSELVES ESTABLISHED THE 60 PERCENT RULE IN KUWAIT SETTLEMENT, COMPANIES HAD NO CHOICE BUT TO EXTEND THIS BENEFIT NOW TO OTHER PRODUCERS. WITH RESPECT TO UAE/AD SITUATION, OTAIBA SAID GOVT WOULD PROBABLY ACCEPT 60 PERCENT SHARE OF OWNERSHIP, IF COMPANIES WILLING TO MAKE CONCESSIONS ON OTHER TERMS, IN PARTICULAR, WILLINGNESS OFFER MARKET BUY-BACK PRICE AND BE FLEXIBLE ON COMPENSATION CLAIM. IN CONTEXT OF BETTER TERMS, OTAIBA ALSO EXPRESSED HIS DESIRE FOR GREATER INVOLVEMENT OF AMERICAN OWNERS OF ADPC, EXXON AND MOBIL, IN FUTURE DEVELOPMENT AND UTILIZATION OF AD'S GAS RESOURCES. OTAIBA CLARIFIED THIS POINT BY SAYING THAT HE HOPED USG WOULD ALSO SHOW ITS INTEREST IN UAE DEVELOPMENT BY URGING US PETROLEUM COMPANIES (THOSE NOW HERE AND OTHERS) TO WORK CLOSER WITH GOVT IN ITS EFFORTS TO DIVERSIFY ECONOMY BY UTILIZING LARGE GAS RESERVES. EMB REPORTING BY SEPTTEL COMMENTS OF MINISTER AND OTHER OIL OFFICIALS ON MAGNITUDE OF ABU DHABI'S GAS RESERVES, WHICH MAY BE AMONG LARGEST IN WORLD.

4. AFTER MAKING ABOVE POINTS, INQUIRED OF OTAIBA HOW LONG HE THOUGHT NEGOTIATIONS FOR NEW PARTICIPATION AGREEMENT MIGHT TAKE. STRESSING THAT TALKS WITH COMPANIES LATER THIS MONTH ONLY PRELIMINARY, HE SAID IT US UAEG POLICY TO COORDINATE WITH SAUDIS AND QATARIS BEFORE CONCLUDING ANY NEW PARTICIPATION AGREEMENT. THIS NECESSARY TO ELIMINATE RUINOUS AND UNFRIENDLY COMPETITION AND TO ESTABLISH MORE STABLE RELATIONSHIP IN

CONFIDENTIAL

PAGE 04 ABU DH 00148 121209Z

FUTURE WITH COMPANIES. OTAIBA SAID THAT HE INTENDS DISCUSS WITH YAMANI AT TRIPOLI MTG POSSIBILITY OF COORDINATED NEGOTIATIONS FOR ACHIEVING REVISED PARTICIPATION AGREEMENT. SAUDIS, HE THOUGHT, MAY SEEK SOMEWHAT DIFFERENT FORMULA THAN GOK HAS SETTLED FOR. ON OTHER HAND, IF SAUDIS AND QATARIS UNWILLING COORDINATE APPROACH TO COMPANIES, THEN UAE/AD WOULD PROCEED ALONE TO FINALIZE AGREEMENT AT EARLY DATE. GRIFFIN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ABUDH00148
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: AS 19760210
Errors: N/A
Film Number: n/a
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740240/aaaablbb.tel
Line Count: 162
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: ABU DHABI 0116 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAR 2002 by shawdg>; APPROVED <01 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENRG: MINPET OTAIBA ANNOUNCES REVISED PARTICIPATION TALKS TO BEGIN END OF FEB.
TAGS: ENRG, XF, TC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005